



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2019 FIRST QUARTER FINANCIAL REVIEW

FIRST QUARTER HIGHLIGHTS

Fiscal Year 2019's first three months saw strong performance of the big three revenues sources (individual and corporate income taxes; sales taxes), weak federal revenues, and substantial spending from FY18 appropriations during the lapse period. The major tax sources are benefitting from increases to state personal consumption expenditures, rising personal income and favorable business conditions, while federal revenues lag estimates based on the low number of matchable bills being paid by the Comptroller in quarter one. Lapse period spending from FY18 appropriations during the first three months of FY19 are approximately \$200M higher than FY17 first quarter lapse spending. This is due primarily to the \$1 billion in FY18 supplemental appropriations passed in May 2018.

Detailed first quarter and year-to-date information is presented on the following pages.

TREASURER'S INVESTMENT BORROWING

In July 2017, Public Act 100-1107, which authorizes the State Treasurer to invest or reinvest any State money in the treasury which is not needed for current expenditures, was amended to include a provision allowing for investment of treasury funds whenever the total amount of vouchers presented to the Comptroller exceeds the funds available in the General Revenue Fund by \$1 billion. This provision allows up to \$2 billion of state funds not immediately needed for current expenses to be deposited into the General Revenue Fund or Health Insurance Reserve Fund to pay down the current bill backlog. These transfers are governed by written agreements between the Treasurer and Comptroller. All of the current filed agreements outline a six-month repayment period to the fund of origin, including both principal and interest. Year-to-date, \$200 million has been borrowed under this new authority.

ILLINOIS EMPLOYMENT AND WAGE UPDATE

Illinois's unemployment rate declined over the first three months of the fiscal year, while state personal income and wages rose over the same time period. Favorable national and global economic conditions have resulted in stable to moderate growth in Professional and Business Services and Manufacturing sectors. Illinois continues to be a national leader in the trade and transportation industry and should continue to benefit from increased demand for manufactured goods. Positive outlooks for both U.S. and global growth suggests that the Illinois economy will continue to increase in the near term.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW				
First Quarter and Year-to-Date Review				
(\$ in millions)				
	First Quarter		Year-to-date	
	FY18 Actual	FY19 Actual	FY18 Actual	FY19 Actual
Beginning Backlog at Comptroller	\$ (8,191)	\$ (4,180)	\$ (8,191)	\$ (4,180)
Beginning Cash Balance	\$ 1,368	\$ 125	\$ 1,368	\$ 125
Revenues				
Individual Income Tax	\$ 3,408	\$ 4,023	\$ 3,408	\$ 4,023
Corporate Income Tax	416	532	416	532
Sales Tax	2,080	2,157	2,080	2,157
Other Sources/Transfers In	<u>1,348</u>	<u>1,341</u>	<u>1,348</u>	<u>1,341</u>
State Source Revenues	\$ 7,252	\$ 8,053	\$ 7,252	\$ 8,053
Federal Sources	1,179	618	1,179	618
Investment Borrowing	-	200	-	200
Total Revenues	\$ 8,431	\$ 8,871	\$ 8,431	\$ 8,871
Expenditures				
Current Year Vouchers	\$ 7,482	\$ 7,072	\$ 7,482	\$ 7,072
Prior Year Vouchers	<u>1,561</u>	<u>1,744</u>	<u>1,561</u>	<u>1,744</u>
Subtotal, Vouchers Presented	\$ 9,044	\$ 8,816	\$ 9,044	\$ 8,816
Posted Transfers Out	435	260	435	260
Transfer to GO Bond Debt Service Fund	607	864	607	864
Investment Borrowing	-	-	-	-
Prior Year Adjustments	<u>(2)</u>	<u>(3)</u>	<u>(2)</u>	<u>(3)</u>
Total Expenditures	\$ 10,084	\$ 9,937	\$ 10,084	\$ 9,937
End of Quarter Cash Balance	\$ 581	\$ 502	\$ 581	\$ 502
End of Quarter Backlog at Comptroller	\$ (9,058)	\$ (5,623)	\$ (9,058)	\$ (5,623)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov.

General Funds' first quarter revenues totaled \$8,871 million, an increase of \$440 million, or 5.2%, over the FY18 first quarter level. The primary driver for this increase was due to the increased income and corporate tax rates and higher sales tax receipts.

FY19 first quarter General Funds' expenditures totaled \$9,937 million, a decrease of \$147 million, or 1.5%, below the FY18 first quarter level.

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES								
First Quarter and Year-to-Date Review								
(\$ in millions)								
	First Quarter		Change: FY18 Actual to FY19 Actual		Year-to-Date		Change: FY18 Actual to FY19 Actual	
	FY18 Actual	FY19 Actual	Dollar Change	Percent Change	FY18 Actual	FY19 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 3,996	\$ 4,728	\$ 732	18.3%	\$ 3,996	\$ 4,728	\$ 732	18.3%
Income Tax Refund Fund	(392)	(459)	(67)	17.1%	(392)	(459)	(67)	17.1%
Local Government Distributive Fund Deposit	(197)	(246)	(50)	25.3%	(197)	(246)	(50)	25.3%
Net Individual Income Tax	\$ 3,408	\$ 4,023	\$ 615	18.0%	\$ 3,408	\$ 4,023	\$ 615	18.0%
Gross Corporate Income	\$ 538	\$ 671	\$ 133	24.8%	\$ 538	\$ 671	\$ 133	24.8%
Income Tax Refund Fund	(94)	(104)	(9)	10.0%	(94)	(104)	(9)	10.0%
Local Government Distributive Fund Deposit	(27)	(37)	(10)	35.5%	(27)	(37)	(10)	35.5%
Net Corporate Income Tax	\$ 416	\$ 531	\$ 115	27.6%	\$ 416	\$ 531	\$ 115	27.6%
Gross Sales Tax	\$ 2,129	\$ 2,212	\$ 83	3.9%	\$ 2,129	\$ 2,212	\$ 83	3.9%
Downstate Public Trans/Public Trans Deposits	(49)	(55)	(6)	11.2%	(49)	(55)	(6)	11.2%
Net Sales Tax	2,080	2,157	77	3.7%	2,080	2,157	77	3.7%
Public Utility	214	187	(27)	(12.6%)	214	187	(27)	(12.6%)
Cigarette	88	93	5	5.8%	88	93	5	5.8%
Inheritance	74	89	15	20.3%	74	89	15	20.4%
Liquor	46	46	0	0.9%	46	46	0	0.9%
Insurance	113	107	(6)	(5.7%)	113	107	(6)	(5.7%)
Corporate Franchise	52	58	6	11.5%	52	58	6	11.5%
Investment Income	11	26	15	136.4%	11	26	15	136.4%
Cook County IGT	0	0	0	0.0%	0	0	0	0.0%
Other	114	138	24	21.1%	114	138	24	21.1%
TOTAL STATE REVENUES	\$ 6,616	\$ 7,455	\$ 839	12.7%	\$ 6,616	\$ 7,455	\$ 839	12.7%
Federal Revenues	\$ 1,179	\$ 618	\$ (561)	(47.6%)	\$ 1,179	\$ 618	\$ (561)	(47.6%)
Investment Borrowing	\$ 0	\$ 200	\$ 200	0.0%	\$ 0	\$ 200	\$ 200	0.0%
Transfers In	\$ 636	\$ 797	\$ 161	25.3%	\$ 636	\$ 797	\$ 161	25.3%
Lottery	153	156	3	2.0%	153	156	3	2.0%
Riverboat Gaming	78	74	(4)	(5.1%)	78	74	(4)	(5.1%)
Fund Reallocations	150	0	(150)	(100.0%)	150	0	(150)	(100.0%)
Interfund Borrowing	126	0	(126)	(100.0%)	126	0	(126)	(100.0%)
Other	129	368	239	185.3%	129	368	239	185.3%
TOTAL RECEIPTS	\$ 8,431	\$ 8,871	\$ 440	5.2%	\$ 8,431	\$ 8,871	\$ 440	5.2%

Source: Illinois Office of the Comptroller

Income Taxes: FY19 year-to-date (YTD) Individual Income Tax net receipts increased by \$615 million, or 18.0% from the FY18 YTD level due to the increased rate. \$246 million of individual income taxes were directly deposited into the Local Government Distributive Fund for FY19.

FY19 YTD Corporate Income Tax (CIT) net receipts increased by \$115 million, or 27.6%, from the FY18 YTD level.

Sales Taxes: FY19 YTD Sales Tax net receipts increased by \$77 million, or 3.7%, from the FY18 YTD level. This increase is attributable to increased personal consumption and real wage growth.

Public Utilities: FY19 YTD Public Utility receipts decreased by \$27 million, or 12.6%, from the FY18 YTD level.

Inheritance: FY19 YTD Inheritance receipts increased by \$15 million, or 20.3%, from the FY18 YTD level.

Federal Revenues: FY19 YTD Federal Revenues decreased by \$561 million, or 47.6%, compared to the FY18 YTD level.

Transfers In: FY19 YTD Transfers In increased by \$161 million, or 25.3%, compared to the FY18 YTD level.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY19. Total State Revenues (not including Transfers In) were \$45 million, or 0.5%, above the budgeted level. Federal revenues were \$220 million, or 26.3%, below the budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY19 YTD Budgeted*	FY19 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 4,613	\$ 4,728	\$ 115	2.5%
Income Tax Refund Fund	(447)	(459)	(12)	(2.6%)
Local Government Distributive Fund Deposit	(240)	(246)	(6)	(2.6%)
Net Individual Income Tax	\$ 3,926	\$ 4,023	\$ 97	2.5%
Gross Corporate Income	\$ 595	\$ 672	\$ 77	12.9%
Income Tax Refund Fund	(92)	(104)	(12)	(12.7%)
Local Government Distributive Fund Deposit	(33)	(37)	(4)	(12.5%)
Net Corporate Income Tax	\$ 470	\$ 531	\$ 61	13.0%
Gross Sales Tax	\$ 2,177	\$ 2,212	\$ 35	1.6%
Downstate Public Trans/Public Trans Deposits	(53)	(55)	(2)	(3.8%)
Net Sales Tax	\$ 2,124	\$ 2,157	\$ 33	1.6%
Public Utility	209	187	(22)	(10.5%)
Cigarette	85	93	8	9.5%
Inheritance	72	89	17	23.6%
Liquor	48	46	(2)	(3.3%)
Insurance	99	107	8	7.7%
Corporate Franchise	53	58	5	9.4%
Investment Income	20	26	6	30.0%
Cook County IGT	0	0	0	0.0%
Other	128	138	10	7.8%
TOTAL STATE REVENUES	\$ 7,235	\$ 7,455	\$ 220	3.0%
Federal Revenues	\$ 838	\$ 618	\$ (220)	(26.3%)
Investment Borrowing	\$ 0	\$ 200	\$ 200	0.0%
Transfers In	\$ 753	\$ 598	\$ (155)	(20.6%)
Lottery	154	156	2	1.3%
Gaming/Gaming Taxes	77	74	(3)	(3.9%)
Fund Reallocations	0	0	0	0.0%
Interfund Borrowing	150	0	(150)	(100.0%)
Other	372	368	(4)	(1.1%)
TOTAL RECEIPTS	\$ 8,826	\$ 8,871	\$ 45	0.5%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits. Estimates were compiled on June 1, 2018.

Income Taxes: Individual Income Tax net receipts through the first quarter were \$97 million, or 2.5%, higher than budgeted levels. Corporate Income Tax net receipts through the first quarter were \$61 million, or 13.0%, higher than budgeted levels.

Sales Taxes: Sales Tax net receipts through the first quarter were \$33 million, or 1.6%, higher than budgeted levels.

Public Utilities: Public Utility receipts through the first quarter were \$22 million, or 10.5%, lower than budgeted levels.

Transfers In: Transfers In through the first quarter were \$155 million, or 20.6%, lower than budgeted levels, due to \$150 million in budgeted interfund borrowing not occurring within the first quarter.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY18 and FY19 first quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the first quarter of FY19 totaled \$7,072 million, a decrease of \$410 million, or 5.5%, from the FY18 level.

GENERAL FUNDS EXPENDITURES				
First Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	First Quarter		Year-to-Date	
	FY18 Actual Spending	FY19 Actual Spending	FY18 Actual Spending	FY19 Actual Spending
Constitutional Officers ¹	\$ 70	\$ 72	\$ 70	\$ 72
DHFS	1,833	1,043	1,833	1,043
ISBE	1,333	1,467	1,333	1,467
DHS	612	681	612	681
Higher Education	432	565	432	565
SERS	378	352	378	352
TRS	1,179	1,148	1,179	1,148
SURS	440	405	440	405
Corrections	182	198	182	198
CMS	480	511	480	511
DCFS	136	156	136	156
Aging	122	127	122	127
ISP	44	47	44	47
Revenue	10	13	10	13
DPH	9	9	9	9
DNR	7	7	7	7
DCEO	2	2	2	2
All Others	213	269	213	269
Agency Totals	\$ 7,482	\$ 7,072	\$ 7,482	\$ 7,072

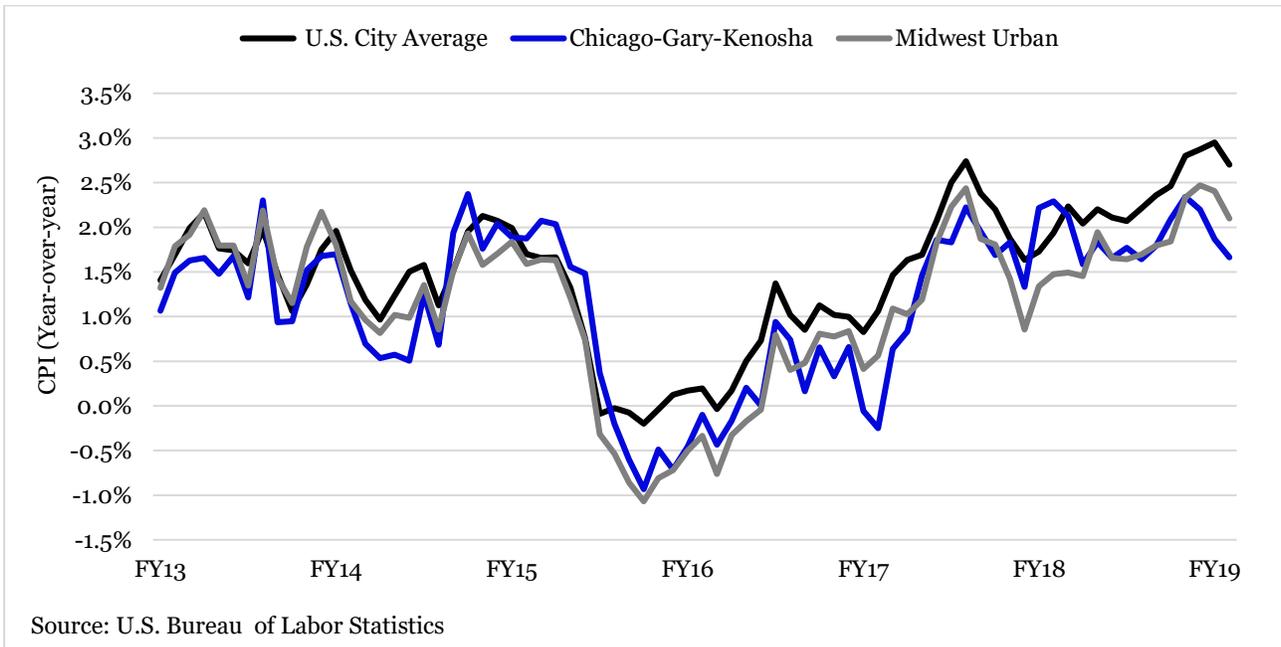
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

Note: Lapse period spending is not included in this table.

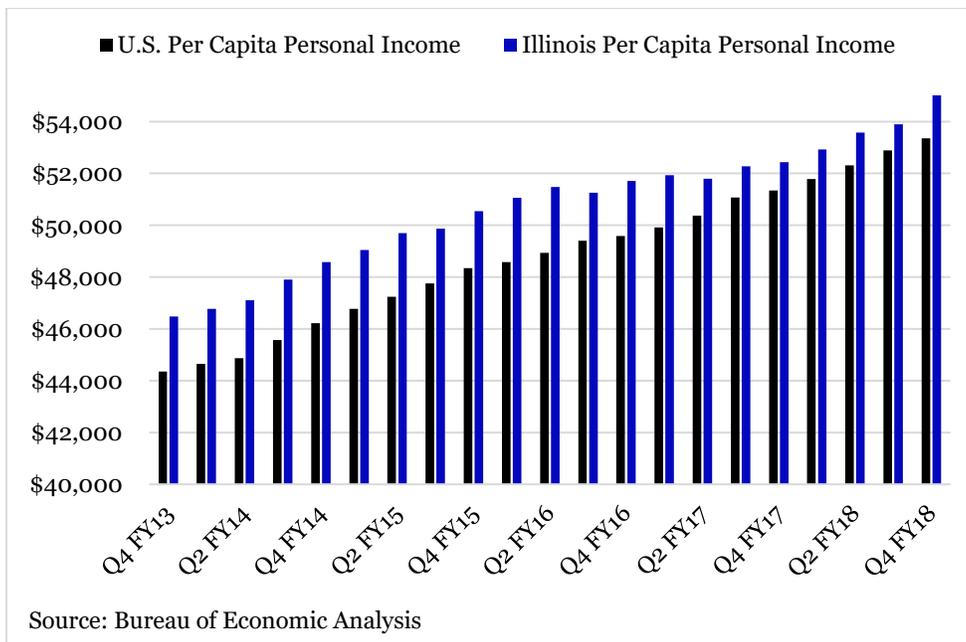
¹ Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area, and Midwest from July FY13 to Aug FY19. In August FY19, the CPI for U.S. city average increased 2.7% year-over-year. The CPI for Chicago metropolitan area increased 1.7% and the CPI for Midwest region increased 2.1%.



The graph below compares the per capita personal income between U.S. and Illinois from the fourth quarter of FY13 to the fourth quarter of FY18. The U.S. per capita personal income increased \$466 or 0.9% from \$52,895 in the third quarter of FY18 to \$53,360 in the fourth quarter of FY18. Year-over-year, U.S. per capita personal income increased \$2,012 or 4.0%. In Illinois, per capita personal income increased \$2,701 or 5.1% from \$53,899 in the third quarter of FY18 to \$56,600 in the fourth quarter of FY18. Year-over-year, Illinois per capita personal income increased \$4,161 or 8.0%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in August of FY19 was 3.9%, down from 4.4% during the same period last fiscal year. Illinois' unemployment rate of 4.1% in August of FY19 reflected a decrease of 0.9% from the state's unemployment rate of 5.0% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased 76,200 year-over-year in August, led by increases in Professional Services, Leisure and Hospitality and Education and Health Services.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>June FY18</u>	<u>June FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,049,100	6,126,100	77,000
Unemployment Rate, Illinois	4.7%	4.3% ²	(0.4)
Unemployment Rate, United States	4.4%	4.0%	(0.4)
Labor Force Participation Rate, Illinois	64.4%	64.5%	0.1
Labor Force Participation Rate, United States	62.8%	62.9%	0.1
EMPLOYMENT STATISTICS	<u>July FY18</u>	<u>July FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,049,000	6,128,900	79,900
Unemployment Rate, Illinois	4.8%	4.2% ²	(0.6)
Unemployment Rate, United States	4.3%	3.9%	(0.4)
Labor Force Participation Rate, Illinois	64.2%	64.5%	0.3
Labor Force Participation Rate, United States	62.9%	62.9%	0.0
EMPLOYMENT STATISTICS	<u>August FY18</u>	<u>August FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,043,800	6,120,000	76,200
Unemployment Rate, Illinois	5.0%	4.1% ¹	(0.9)
Unemployment Rate, United States	4.4%	3.9%	(0.5)
Labor Force Participation Rate, Illinois	64.0%	64.5%	0.5
Labor Force Participation Rate, United States	62.9%	62.7%	(0.2)

Source: Illinois Department of Employment Security and United States Department of Labor.

¹Preliminary figures.

²Reflects revised population controls, model reestimation, and new seasonal adjustment.

ILLINOIS REAL ESTATE

According to Illinois REALTORS, median home prices in Illinois rose 1.1 percent in August year-over-year, and statewide home sales decreased 0.2 percent for the same period. The time it took to sell a home in August averaged 45 days, down from 48 days year-over-year. In August, available housing inventory totaled 60,284 homes for sale, a 4.6 percent decline from August 2017 when there were 63,161 homes on the market.